



December 10, 2009

David W. Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
Post Office Box 47250
Olympia, WA 98504-7250

2009 DEC 14 AM 8:16
STATE OF WASH.
UTILITY TRANSPORTATION
COMMISSION

Subject: Suncadia Water Company, LLC
Compliance Action due 12.15.2009 for docket UW-081226 Dated October 30, 2008
Water Usage "True-Up"

Dear Mr. Danner,

During the rate setting process for the Suncadia Water Company (the Company), finalized in November, 2008, deferred accounting treatment was applied to the variable portion of the purchased water component in the usage charges. At that time a requirement was made to "true-up" the difference between projected and actual water usage after 12 months. The manner in which the true-up is to be performed is contained in Attachment C of the above referenced Docket dated October 30, 2008.

After an analysis of the system-wide water usage it was determined that the actual consumption water usage in the past 12 months was **lower** than the system-wide predicted water consumption (used to set the tariff approved consumption rate) by 1,722,524 gallons, or approximately 2.2%. This results in a true-up adjustment amount of \$0.10 per 1000 gallons, or a total of \$7,168.61 due from the rate payers. The attachments to this letter titled *Water Usage "True-Up"* and *Historical Data* are included for your review.

Rather than adjusting monthly statements to bill each customer for the amount due, the Company is petitioning the Commission for relief from the provisions of Docket UW-081226 that requires collection of the amount due. Please see the attached Petition for more details.

The Company will wait for confirmation from the Commission that the true-up is being calculated correctly. In addition, the Company will wait for a decision from the Commission regarding the Petition before taking any action related to the collection of the additional dollars.

Thank you,


Cape Powers
Director of Utilities



**Suncadia Water Company
Petition to
Washington Utility Transportation Commission**

December 10, 2009

The Suncadia Water Company (the Company) would like to file a Petition with the Washington Utilities Transportation Commission requesting relief from page 7, paragraph 3, of Order 02, Docket UW-081226 effective November 26, 2008.

Background

Page 7, paragraph 3 of the Order states:

Suncadia Water Company, LLC will apply deferred accounting treatment to the variable portion of the purchased water component of the usage charges and "true-up" the difference between projected and actual water usage after twelve months, consistent with the methodology set forth in Staff's October 30, 2008, memorandum. Suncadia Water Company, LLC will report the results to the Commission no later than December 15, 2009. If there is an amount due or a refund, the Company will spread the adjustment over twelve monthly bills.

The above provision was included in the Order during the initial rate setting process for the Suncadia Water Company. There was concern at the time that the assumed water usage used to set the rate could differ significantly from the actual metered water usage in the following year. This concern stemmed from the fact that reliable historical water usage data was not available. If actual water usage was significantly higher than predicted, then the Company would be over-collecting. If the actual water usage was significantly lower than predicted, then the Company would be under-collecting. The true-up provision assured both the customers and the Company that the correct amount of collection would ultimately occur.

One year of reliable metered water usage data has now been collected. After an analysis of the system-wide water usage it was determined that the actual consumption water usage in the past 12 months was **lower** than the system-wide predicted water consumption (used to set the tariff approved consumption rate) by 1,722,524 gallons, or approximately 2.2%. This results in a true-up adjustment amount of \$0.10 per 1000 gallons, or a total of \$7,168.61 due from the rate payers.

The Order does not allow any discretion with regards to whether or not the Company desires to collect or refund the true-up dollars, even in the case of under-collection.

The request for relief from Page 7, Paragraph 3 of the Order is based on the following:

1. The \$7,168.61 to be collected is a very small portion of the yearly Company income. Foregoing collection of these dollars will not significantly affect the financial standing of the Company.
2. The variance in water usage, and associated small difference in revenues, is something that the Company, and all water companies for that matter, will see during normal yearly business fluctuations. In future years the Company will simply absorb these fluctuations, and that is

what we would like to do here. If the true-up amount was larger, we would want to collect or refund the amount, but it just doesn't seem to make sense given the magnitude of the dollars involved and the lack of negative consequences of foregoing collection.

3. The Company strives to provide a high level of communication with our very interactive customer base. Collection of the dollars due will require mailing a letter to all of our customers with a detailed explanation. Because we do postcard standard billings, we cannot simply include a letter with our monthly statements. The Company would like to avoid the expense of the extra mailing.
4. The Company is required to submit a new rate case no later than May 1, 2010. Any negative impacts to the Company with regards to foregoing collection of this small amount of revenue could be taken into account at that time.

Given the above, the Suncadia Water Company believes that granting relief from the requirement to collect the true-up amount due is in the best interest of the Public. Granting relief does not jeopardize the ongoing viability of the Company, and nor does it prejudice the customers in any manner.

Sincerely,

A large, stylized handwritten signature in black ink, extending across the width of the page. The signature is written over the word "Sincerely," and the name "Cape Powers" printed below it.

Cape Powers
Director of Utilities

Suncadia Water Company, LLC

December 7, 2009

Water Usage "True Up"

Consumption Rate Calculation in Approved Tariff - 76,845,000 gallons

Revenue requirements applicable to consumption rate:

Variable cost of water purchased from Cle Elum	\$	35,887	
Other revenue requirements applicable to consumption rate	\$	157,934	
Total revenue requirement applicable to consumption rate		\$	193,821
Projected 2008/2009 metered consumption (1,000 gallons)		÷	76,845
		\$	2.52

True-Up Calculations after 12 Months

Actual variable cost of water purchased from Cle Elum	\$	38,711	
Other revenue requirements applicable to consumption rate	\$	157,934	
Total revenue requirement applicable to consumption rate		\$	196,645
Actual metered consumption (1000 gallons)		÷	75,122
Adjusted consumption rate (per 1000 gallons)		\$	2.62
Adjustment per 1,000 gallons		\$	0.095
Amount to be recovered (added to bills)		\$	7,168.61

- NOTES: 1. This true-up is required by Docket UW-081226 dated October 30, 2008. The projected amount of water usage used to set the rates was changed during final rate setting negotiations. Values used above are as shown on the final rate setting calculations, and in some instances differ from what is shown in the Docket example.
2. Metered customer consumption usage was less than projected, so the adjustment will result in amounts being added to each bill.

Suncadia Water Company, LLC

December 7, 2009

Historical DATA

Month	Water Purchased from Cle Elum (CF)	Water Purchased from Cle Elum (1,000 gal)	Variable Cost of water from Cle Elum	Consumption Rate (per 1000 gallons)= \$		Revenue from Metered Consumption
				Total Metered Residential Consumption (gallons)	Total Metered Consumption	
2008 Nov	449465	3,362,000 \$	1,569	502,370	1,452,400 \$	3,660
2008 Dec	429947	3,216,000 \$	1,501	-	- \$	-
2009 Jan	437299	3,271,000 \$	1,526	-	2,375,410 \$	5,986
2009 Feb	348128	2,604,000 \$	1,215	-	648,620 \$	1,635
2009 Mar	231110	1,728,700 \$	807	15,150	1,199,520 \$	3,023
2009 Apr	398342	2,979,600 \$	1,390	4,064,620	7,211,670 \$	18,173
2009 May	1213556	9,077,400 \$	4,235	2,514,614	8,222,584 \$	20,721
2009 Jun	1594519	11,927,000 \$	5,565	4,234,472	10,670,548 \$	26,890
2009 Jul	2079291	15,553,100 \$	7,257	6,373,767	16,416,907 \$	41,371
2009 Aug	2093061	15,656,100 \$	7,305	6,348,154	15,094,704 \$	38,039
2009 Sep	1344880	10,059,700 \$	4,694	4,180,953	8,644,303 \$	21,784
2009 Oct	472380	3,533,400 \$	1,649	1,448,910	3,185,810 \$	8,028
		82,968,000 \$	38,711	29,683,010	75,122,476 \$	189,309
				60.5%	39.5%	
				System loss = 9.5%		

Notes: Consumption meter reading did not occur consistently in the winter months. This is allowed per the tariff.
 Consumption charges shown above for April include consumption in Dec, Jan, Feb, and Mar, for all residential customers, and most commercial.
 This is allowed per the tariff.